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Title: Shri Basudeb Acharia called the attention of the Minister of Finance to the situation arising out of Government's decision to disinvest shares in Public Sector Enterprises and steps taken in this regard**.**

SHRI BASU DEB ACHARIA (BANKURA): Madam, I call the attention of the Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon:-

> "The situation arising out of Government's decision to disinvest shares in Public Sector Enterprises and steps taken in this regard."

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): Madam Speaker, through you, I would like to apprise the House of the following factual position:

The policy on disinvestment articulated in the President's Speech to Joint Session of Parliament on 4th June, 2009 and Finance Minister's Budget Speech on 6th July, 2009 requires the development of "people ownership" of Central Public Sector Undertakings (CPSUs) to share in their wealth and prosperity, with Government retaining majority shareholding and control. This objective is relevant to profit-earning CPSUs as it is only these that will sustain investor-interest for sharing in their prosperity.

In line with this policy announcement, Government has decided that :

> "(i) already listed profitable CPSUs not meeting the mandatory public shareholding of 10 per cent are to be made compliant;
>
> (ii) all CPSUs having positive networth, no accumulated losses and having earned net profit for three preceding consecutive years, are to be listed through public offerings out of Government shareholding or issue of fresh equity by the company or a combination of both; and

(iii) the proceeds from disinvestment would be channelised into National Investment Fund and during April, 2009 to March, 2012 would be available in full for meeting the capital expenditure requirements of selected social sector programmes decided by the Planning Commission/Department of Expenditure. The *status quo ante* will be restored from April, 2012." ...(*Interruptions*)

MADAM SPEAKER : Let us have order in the House, please.

SHRI PRANAB MUKHERJEE : In pursuance of the above policy, the Department of Disinvestment is in dialogue with the administrative Ministries and the CPSUs to assess their capital expenditure requirements to be raised through issue of fresh equity. The composition of the 'public offering' will be based on this input and each case will be considered on merits and submitted to Government for approval.

Disinvestment of Government shareholding in NTPC Limited (5 per cent) and SJVN Limited (10 per cent) and Rural Electrification Corporation Limited (5 per cent) through Public Offering in domestic market, is under implementation. These Public Offerings are likely to be completed by 31st March, 2010.

MADAM SPEAKER : Thank you hon. Minister. Shri Basu Deb Acharia.

SHRI BASU DEB ACHARIA : Madam, now new words have been coined like 'people's ownership'. It is nothing but creeping privatization. As it has been stated in the Congress Party's manifesto that the BJP was following blind privatization, now the UPA-2 Government will pursue and will see that the people's ownership is done by disinvesting public sector undertakings. Already one billion people of our country are the owners of public sector undertakings. All the shares are vested with the Government and the people of our country elect their representatives to the Parliament and Parliament elects the Government of our country.

When already there is a people's ownership, why has the Government decided to give ownership to a few people diluting the Parliament's control, Parliament's ownership over the public sector undertakings? You will see, in the past, how a

miniscule part of the shares disinvested has gone to the hands of general public. In case of Bharat Heavy Electricals Limited, out of 32.8 per cent shares disinvested, the public holds only 1.9 per cent. In case of Steel Authority of India Limited, the public holding is only 1.9 per cent out of 14.18 per cent disinvested. In case of ONGC, out of 25.86 per cent disinvested so far, the general public holds only 1.6 per cent. Similarly, in case of Gas Authority of India Limited, out of 42.66 per cent already disinvested or privatized, the general public holds only 1.6 per cent.

It is a very small and miniscule part that is owned by few private individuals. The justification that has been given by the Finance Minister in his statement and also in his Budget Speech is that the Government needs money to spend in the social sector.

As per the *Public Sector Survey Report*, in the last year 2007-08, our public sector undertakings have earned a profit of Rs. 79,803 crore after paying tax of Rs. 42,000 crore. In one year, these Central public sector undertakings have also given the dividends to the Government of India to the extent of Rs. 28 crore. Moreover, these public sector undertakings have a Reserve Fund of about Rs. 5,00,000 crore. In the last five years, it has increased from Rs. 2,25,000 crore to Rs. 5,00,000 crore. If the Government of India needs money to spend in the social sector and if there is a resource crunch, it can utilise the surplus funds which are lying with the Central public sector undertakings, for productive assets. Why has the Government decided to disinvest? Now the Government has announced a policy decision to disinvest 10 per cent of the shares and that the Government's share will not come down from 51 per cent and the Government would continue to hold the shares to the extent of 51 per cent. It means that public sector will remain as public sector and the Government will have the control over the public sector, but where is the guarantee? Today, the Government is saying that the Government's share will not be reduced from 51 per cent, but where is the guarantee? Tomorrow, they may decide to reduce it from 51 per cent.

This 'public ownership' is nothing but creeping privatisation. I would like to know from the Finance Minister where the need for privatisation is. We used to extend support from outside to the UPA's first Government and we did not allow a single profit-making public sector undertaking to be disinvested. Though the Government decided and the Cabinet took a decision to disinvest 10 per cent of the shares of BHEL, the Government had to reverse its decision. The same thing happened in the case of National Aluminium Corporation and Neyvelli Lignite Corporation where the Government of India decided to disinvest 20 per cent of its shares.

If the Government is facing any problem, it can resort to other means. As per the Finance Minister's statement in the Budget Speech, the foregone tax revenue in one year, 2008-09, was Rs. 4.5 lakh crore and concessions worth thousands of crores of rupees were given to the corporate sector. So, the Government has no problem in reducing the foregone tax revenue, what the Finance Minister had stated in his Budget Speech. In one year, the Government can get sufficient funds to spend in the social sector.

Madam, in the past, National Renewal Fund was created for revival of sick public sector undertakings. The Government of India received the fund which was collected out of proceeds from disinvestment and the funds which were deposited. How much of the fund that the Government of India received has been spent on the revival of sick public sector undertakings? When there is no problem which the Government of India is facing in regard to availability of funds, why is there a need for disinvestment of public sector undertakings? I would like to know this from the Finance Minister.

Today all the Central trade unions from INTUC to BMS are opposing it. On 16th of December, thousands of workers belonging to all the Central trade unions will come on the streets to demonstrate and oppose this draconian policy of the Government of India. Corporate interest cannot prevail over public interest. It is mentioned 'public ownership'. Who are these 'public' who will in future own these public sector undertakings?

We know that this Government is pursuing an economic policy which is the market economy policy where public sector has no place. There will be a change in the ownership of the public sector undertaking. Today, the shares are vested with the Government of India. By disinvesting the shares of the public sector undertaking, who will be the owner of our public sector undertaking? When the first Prime Minister of India inaugurated the first public sector undertaking, a unit of Fertiliser Corporation of India at Sindhri, he had said 'I am not inaugurating a factory, rather I am inaugurating the temple of modern India'. Now these temples of modern India are being demolished one after another.

We have seen during the NDA regime that 100 per cent was being disinvested and the ownership was changed from the Government, the public to the private. Now the same policy is being pursued and also the policy of privatisation of public sector undertaking. I would like to know from the Finance Minister whether by disinvesting in the name of 'public ownership', shares of public sector undertaking are being handed over to a few private people.

Is the share of the Public Sector Undertaking being handed over to the corporate sector? Where is the need for disinvestment of 10 per cent share? If 10 per cent share of BHEL is disinvested, then the share of the Government will come down to 51 per cent. ...(*Interruptions*)

MADAM SPEAKER: Shri Acharia, please conclude now.

...(*Interruptions*)

SHRI BASU DEB ACHARIA : This is the only public sector company that supplies electrical equipment. If there is further disinvestment, then the Government will not have any control over this important and vital Public Sector Undertaking. ...(*Interruptions*)

MADAM SPEAKER: Please ask your clarificatory question and conclude.

...(*Interruptions*)

SHRI BASU DEB ACHARIA : I would like to know this from the hon. Finance Minister. Why cannot the Government utilize the surplus funds or a percentage of the surplus funds for productive assets when there are enough reserve funds or surplus funds lying with these Public Sector Undertakings, that is, about Rs. 500,000 crore?

According to the statement of the hon. Finance Minister the foregone tax revenue in the last year was Rs. 4.5 lakh crore. Why cannot the Government reduce the foregone tax revenue? Then, the Government need not disinvest the Public Sector Undertakings. As a result of this, the creeping privatization will also not be there. ...(*Interruptions*)

MADAM SPEAKER: Thank you so much. Please take your seat. Now, the hon. Minister to give his reply.

...(*Interruptions*)

SHRI BASU DEB ACHARIA : Will the Government review the policy with regard to creeping privatization by disinvesting 10 per cent of the share in the name of public interest? ...(*Interruptions*) Thank you. ...(*Interruptions*)

SHRI PRANAB MUKHERJEE : Thank you, Madam. I appreciate the anxiety of the hon. Member because he believes in a particular philosophy, and he goes on propagating that philosophy. There is nothing wrong in it as everyone is entitled to have it. The fact of the matter is that disinvestment is going on in this country not from today or from yesterday, but from 1991-1992 onwards. Rs. 57,000 and odd crore has been collected by various Governments, and during this period from 1991-1992 to 2009-2010, there have been several Governments including one where CPI was a participant in the Democratic Front Government and disinvestment took place then. ...(*Interruptions*)

SHRI BASU DEB ACHARIA : We were opposed to it. ...(*Interruptions*)

SHRI PRANAB MUKHERJEE : Disinvestment took place prior to it; disinvestment has taken place during NDA regime; and disinvestment has taken place even when they supported us. ...(*Interruptions*) It is true that they had registered their strong views on some cases even when they supported us. ...(*Interruptions*)

I am factually correcting the position, and I am not adding anything new. Yes, they had their reservations in certain cases, and we did not proceed. They were our valued colleagues and we respect their support. But it is not correct to say that simply because they supported the Government from outside, hence, they influenced the Government to such an extent that not a single disinvestment took place. As many as seven disinvestments took place between 2004 and 2007, and I am not taking into account from 8th July when they withdrew their support.

If you want to have the list, I can give you the list. ...(*Interruptions*)

SHRI BASU DEB ACHARIA : You had to reverse your decision also.

SHRI PRANAB MUKHERJEE: That is a different question. Please do not interrupt me. ...(*Interruptions*)

MADAM SPEAKER: Please sit down. Please take your seat.

SHRI PRANAB MUKHERJEE: At the very beginning, I have admitted that you ought to propagate your view, but unfortunately, as Finance Minister of the country, I shall have to explain and propound the views of the Government for which we have been voted; we have got a little more. They have rejected your thesis of withdrawing support from us.

The disinvestment which took place between 2004 and 2008 – NTPC, 5.2 per cent; Maruti, I am not taking into account;

Power Grid Corporation; Rural Electrification Corporation (REC); NHPC Limited, and Oil India.

The second point which the hon. Member tried to build up and create an impression is this. Yes, the individuals have got very minor shares. There is no doubt in it, but it is not always correct to say ...(*Interruptions*)

SHRI SUDIP BANDYOPADHYAY (KOLKATA UTTAR): Madam, he is not listening to the reply.

SHRI PRANAB MUKHERJEE: That is a privilege of the Member.

MADAM SPEAKER: Shri Basu Deb Acharia, please take your seat. He is replying to your clarificatory questions.

SHRI PRANAB MUKHERJEE: He will listen. Even if he wants, he can listen from outside because my voice is strong enough to reach outside.

This is not the question. The question is that sometimes it happens that these shares are taken by the banks, financial institutions, mutual funds, and in case of one oil company, three other public sector oil companies took the entire share. Therefore, it is not correct that always some corporate sector companies are coming and grabbing these shares. It is not correct. The question he has raised is that as a result of this decision of 10 per cent, it will come down to 51 per cent. At least, Shri Basu Deb Acharia, the senior-most Member of the Lok Sabha, he is a Member from 1980 onwards, should have taken note of the fact where it is 100 per cent shareholding, it will come down to 90 per cent; where it is 90 per cent, it will come down to 80 per cent; it need not necessarily come down to 80 per cent, it may be 85, 86 or 87 per cent. But under no circumstances, it will come down below 51 per cent. That is the floor limit and it will not come below that. But most of the public sector enterprises will have more than enough elbow room, even NTPC. We have earlier disinvested 5.2 per cent; and this time we are going to have disinvestment of 5 per cent; and the total will be 10.2 per cent.

Your question is whether somebody will do it again later or in future. Yes, every Parliament is sovereign, elected for five years. Every Government accountable to the Parliament is for five years. You will have every right to reverse the policy, if you come back to this side of the House with 272 Members with your followers and yourselves. There is no problem. Therefore, this is not the question. This is the parliamentary practice, and this parliamentary practice is being followed. We are not going for the strategic sale. Our predecessor had done the strategic sale. You have quoted what Pandit Jawaharlal Nehru said while laying the foundation-stone of Sindri Fertilizer Project.

SHRI BASU DEB ACHARIA: That is closed now.

SHRI PRANAB MUKHERJEE: It is unfortunate that it has become sick – sick to the extent of beyond redemption and revival.

SHRI BASU DEB ACHARIA : It is closed now.

SHRI PRANAB MUKHERJEE: Some efforts are being made, I do not know whether it will be possible. But equally, Pandit Jawaharlal Nehru laid down ten guidelines for the public sector where he said that they should generate adequate surplus so that they can meet their future expansions; it can meet their future modernization and development programmes. No industry can remain stagnant. It will have to expand. It will have to upgrade its technology. Our commitment to the public sector is second to none. We have cherished that. But we do not believe in doing something else and preaching something else. What we are doing is, we are taking this decision consciously as to why it is necessary. It is necessary to have the valuation of the right pricing, proper evaluation and unlock the greater shareholders' value. When we expose it to the market, the recent ones which we have done, you have seen what has been the enhancement of the market value. Prices of the company with the remaining shareholding have increased three fold, two and a half fold from Rs.2700 crore to Rs.8000 crore. That has been the impact. Shares have been over-subscribed. That is the credibility which we have.

I agree that we should not spend the family silver to meet the consumption expenditure. That is why the concept of NIF has come – National Investment Fund. You have very correctly pointed out about the investment that we have done for the revival of the sick and public sector enterprises. It is one of the mandates. As per the NIF scheme, the disinvestment proceeds will be deposited. It will not be mixed with the Consolidated Fund of India. A separate fund will be created. That fund will be managed by the fund managers. Currently, there are three fund managers -- UTI Fund Managers, SBI Fund Managers and Insurance Fund Managers. These three Mutual Fund Managers are there to manage these funds. Proceeds of this, the corpus of this will be kept in tact. The corpus has been of Rs.84 crore that we got in the first year. In the second year we got Rs.249 and odd crore. These are the two years' proceeds that we deposited in the NIF. I am sorry, the total is Rs.1800 plus crore that has been the corpus which has been deposited in the NIF. The interest that we have earned in the two years is as follows: In the first year it is Rs.84 and odd crore and in the second year it is Rs.250 and odd crore. Now if the capital requirement of a sick public sector enterprise can be revived on the basis of the recommendations of experts,

then this fund will be utilised to the extent of 25 per cent. We are using the 75 per cent for the targeted social sector projects and thereto it is not for the revenue expenditure, it is for the capital expenditure. Health, education and employment are the three priority sectors which have been identified. Which priority sector will you not approve? For health, we have to construct the hospitals. We have to place the machineries and equipment. Those are the capital expenditure. This fund will be utilised for that. This fund will be utilised for the construction of the universities or research laboratories or for buying equipment for the research and development. And this fund will be utilised for the capital expenditure of the project which will generate employment. It is not adequate. It will be supplemented. The main resource must come from the Budget. It is obvious. But these are the unlocked assets. Second is, why we are going for the peoples' ownership. You have ridiculed it. But it is really the peoples' ownership because the actual valuation is taking place. It adds significantly to the enterprise value and the value of the Government's residual equity shares.

I will give you one example. Enterprise value of the National Hydroelectric Power Corporation post-listing, increased from Rs.18,280 crore to Rs.37,702 crore. That is a 125 per cent increase in the enterprise value. Enterprise value of Oil India had gone up from a pre-IPO figure of Rs.9,844 crore to Rs.27,219 crore. If we had not listed them, we would not have ascertained these figures. That is the difference between pre-IPO and post-IPO valuation of the shares of public sector enterprises.

Madam Speaker, what we are doing is absolutely in conformity with the policies which were earlier approved by the National Common Minimum Programme, which the Left parties were also supporting at that point of time. If they want, I can quote from that but I do not want to waste the time of the House. Everybody knows it and those five years have passed. In that NCMP it was mentioned that privatisation resources will not be utilised for revenue expenditure but will be utilised for capital expenditure. We are strictly following that line. ...(*Interruptions*)

SHRI BASU DEB ACHARIA : It was also mentioned that there would be no disinvestment of profit-making public sector undertakings.

MADAM SPEAKER: Please do not disturb.

SHRI PRANAB MUKHERJEE: You have your own perception; you live with your perception. I do not want to change your perception. As long as you live politically you live with your perception. ...(*Interruptions*)

SHRI BASU DEB ACHARIA : You have forgotten that Common Minimum Programme.

SHRI PRANAB MUKHERJEE: The world is moving. World is not stagnating in your place. The world is moving and we have to keep pace with the movement of the world, and we are keeping pace. That is why I give this example of 25 years ago more than often. Twenty-five years ago when I was the Finance Minister and speaking from here, I could not give debt relief to farmers even to the extent of Rs.500 crore. Today the Finance Minister of India can give debt relief to the extent of Rs.71,000 crore. ...(*Interruptions*)

श्री दारा सिंह चौहान (घोसी): गरीब लोगों को तो इससे कोई फायदा नहीं मिल रहा है। ...(व्यवधान)

SHRI BASU DEB ACHARIA : Farmers are committing suicides.

अध्यक्ष महोदया : आप बैठ जाइए। आप क्यों खड़े हो गए? आप बैठ जाइए।

...(व्यवधान)

SHRI PRANAB MUKHERJEE: If we would have stuck to your position, our position would have been where you are today. Thank God we changed the policy and we changed the policy for the betterment of the country! That is why the country is moving ahead.

The last point which I would like to submit, Madam, is that we have taken the exception with the approval of the Cabinet for one year because we are passing through real difficult fiscal situation. Do not quote figures which are astronomically high and which have no relevance. The total value of the stimulus packages given - including the third one of mine and the earlier two of Prime Minister – in terms of money is Rs.1,86,000 crore. And you come out with a fancy figure and say that Rs.4 lakh crore of concessions have been given to the corporate sector! Where are these figures coming from? The total value of the stimulus packages given is of Rs.1,86,000 crore. ...(*Interruptions*)

SHRI BASU DEB ACHARIA : That is tax forgone.

SHRI PRANAB MUKHERJEE: I am not yielding Mr. Acharia. These are budget figures. Rs.1,86,000 crore is the total value of

the three stimulus packages which have been given in December, 2008; January, 2009; and February, 2009. There is no concession to the extent of Rs.4 lakh crore as tax concession. ...(*Interruptions*)

SHRI BASU DEB ACHARIA : Not tax concession, tax forgone.

SHRI PRANAB MUKHERJEE: No concession. Please sit down.

अध्यक्ष महोदया : बसुदेव आचार्य जी, आप बैठ जाइए। आप दो दफा बोल चुके हैं, आप बैठ जाइए।

â€¦(व्यवधान)

SHRI PRANAB MUKHERJEE: Please understand these things. Try to study a little bit. â€¦ (*Interruptions*)

MADAM SPEAKER: Nothing will go on record except what the Finance Minister is saying.

*(Interruptions) â€¦ **

SHRI PRANAB MUKHERJEE: Therefore, the only limited point which we are making is that this year the situation is extremely difficult.

That is why, we have suggested that in three years, we will utilize it to meet our social commitments to the important segments like health, education, employment generation because I cannot afford to have the fiscal deficit to the extent which I left last year, that is, at 6.8 per cent. Fiscal prudence tells me, tells anyone sensible that you come back to the FRBM as quickly as possible. As I am advising all my colleagues in the State Government, I am equally following that practice that I shall have to come back to the FRBM to reduce the fiscal deficit. That is why one time exception that this money will be utilized in these three years up to 31st March, 2012. The disinvestment proceeds will be utilized for the capital expenditure of socially targeted projects. Thank you, Madam, Speaker.

â€¦(व्यवधान)

श्री मुलायम सिंह यादव (मैनपुरी): अध्यक्ष महोदया, मुझे इस बारे में बोलने का मौका दिया जाए।...(व्यवधान) आप हमें बोलने का मौका नहीं दे रही हैं, इसलिए इसके विरोध में हम सदन से वहिष्कार कर रहे हैं।...(व्यवधान)

12.42 hrs.

Shri Mulayam Singh Yadav, Shri Basudeb Acharya and

some other hon. Members then left the House

श्री हुकमदेव नारायण यादव (मधुबनी): अध्यक्ष महोदया, मुझे नियम के संबंध में आपत्ति है।...(व्यवधान)

अध्यक्ष महोदया : शून्य प्रहर में नियम आपत्ति नहीं रहती। आप कृपया अपना स्थान ग्रहण कीजिए।

â€¦(व्यवधान)

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